The Commission should therefore promptly address these issues in the context of the MCI rulemaking petition in accordance with the proposals more fully set forth in AT&T's comments there, while it adopts a complementary extension of its verification procedures to encompass the freeze mechanism in this proceeding.

VI. APPLICATION OF ADDITIONAL VERIFICATION RULES TO IN-BOUND CALLS IS UNNEEDED AND WOULD IMPOSE UNWARRANTED BURDENS ON CARRIERS AND CONSUMERS.

In the earlier phase of this proceeding, the Commission extended the verification for carrier-initiated ("out-bound") telemarketing calls to include customer-initiated ("in-bound") telemarketing calls as well.[27] AT&T filed an uncontested motion, supported by MCI and Sprint, for a stay of the in-bound verification requirement, based on the burdensome costs to carriers and end users of implementing those measures and the clear absence of any record evidence showing any

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from a customer and a carrier to remove a freeze or to change a frozen carrier selection, and should be prohibited from using such calls as a platform to market in competition with the customer's newly chosen carrier.

27 1995 Report and Order, 10 FCC Rcd at 9581-82 (¶ 42). Despite the Commission's current claim that "in-bound slamming" has posed a significant risk of abuse to consumers, the possibility of extending verification to cover these calls had only been obliquely referred to in the notice establishing this docket in 1994. See Policies and Rules Concerning Unauthorized Changes of Consumers' Long Distance Carriers, 9 FCC Rcd 6885, 6888 (1994).

offsetting benefits from such requirements.[28] The Commission on its own motion stayed extension of the verification obligation to in-bound calls pending reconsideration of the 1995 Report and Order.[29] Although the Commission has now denied reconsideration of its 1995 ruling,[30] the Commission has also continued its stay of the in-bound verification requirement. Nevertheless, the Further Notice tentatively concludes that in-bound verification will serve the public interest and seeks additional comment on the need for and costs of applying the current Section 64.1100 verification requirements to customer-initiated calls to carriers.[31]

As AT&T demonstrated in its reconsideration petition and shows again here, there is no record before the Commission that could conceivably justify the conclusion that in-bound calls account for any measurable

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28 See AT&T Motion for Stay, filed August 4, 1995, and Declaration of Georgeana Neff ("Neff Declaration")(analyzing financial impacts on carriers and customers); see MCI Comments, filed August 11, 1995; Sprint Comments, filed August 11, 1995.

29 See Policies and Rules Concerning Unauthorized Changes of Consumers' Long Distance Carriers, 11 FCC Rcd 856 (1995)("Stay Order")(stating that the stay would "allow the Commission to develop a complete record upon which we can conduct a meaningful cost-benefit analysis and make a more informed decision").

30 See Reconsideration Order, ¶ 51.

31 See Further Notice, n. 61 (continuing stay); id., ¶¶ 19-20 (requesting further comment).

number of unauthorized carrier changes, or that there is any reasonable likelihood that such calls are likely to do so. Moreover, the record compiled in the earlier phases of this proceeding, and the additional evidence that AT&T supplies with these Comments, abundantly demonstrates that applying the Section 64.1100 verification procedures to these calls would result in substantial -- and completely needless -- compliance costs to carriers and would seriously disserve consumer interests by delaying (and sometimes entirely precluding) authorized carrier changes. Against this background, there can be no justification for imposing these additional requirements on carriers.[32]

A. Absence of Need for Additional Verification of In-bound Calls

The Further Notice (¶ 19) appears to proceed from the dual premises that there is already sufficient

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[32] As a threshold matter, both the 1995 Report and Order and the Further Notice appear to proceed from the mistaken assumption that carrier changes obtained through in-bound calling are currently exempt from any verification requirements. In fact, carriers that obtain change orders through such calls are still bound by the Commission requirements, first imposed in 1985 for all telemarketing calls, to take "steps designed to obtain" a written authorization from the customer for such changes. See Investigation of Access and Divestiture related Tariffs, 101 F.C.C.2d 935, 942 (1985)(¶ 21) ("Waiver Order"). Carriers typically satisfy this obligation by mailing customers a "fulfillment letter," which notifies the customer that a carrier change has been implemented based on their oral authorization, and by requesting those subscribers to return a signed LOA to the carrier.

evidence in the record to conclude that slamming from in-bound calling is a serious problem, and that it is somehow incumbent on opponents of verification to disprove the need for such rules. Both of these premises are erroneous. As the Commission's Stay Order implicitly conceded, the earlier phase of this proceeding failed to disclose evidence of slamming from in-bound calls warranting additional verification requirements. In all events, moreover, the Further Notice miscasts the burden of proof: it is incumbent on the Commission to support the need for its proposed rules, and not the duty of the commenters to disprove the need for such regulations.[33]

AT&T showed in its reconsideration petition that the 1995 Report and Order seriously erred in characterizing the need for in-bound verification as largely uncontested, when in fact the vast majority of commenters had strongly opposed that requirement and none of the three parties cited by the Commission as having supported in-bound verification had provided any factual showing of the need for that requirement.[34] MCI,[35]

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[33] It is settled law that the Commission's rulemaking must be based on an adequate factual record that provides a foundation for reasoned decisionmaking. See, e.g., California v. FCC, 905 F. 2d 1217 (9th Cir. 1990); City of Brookings Mun. Tel. Co. v. FCC, 822 F.2d 1153 (D. C. Cir. 1987).

[34] See AT&T Petition for Limited Reconsideration, filed August 4, 1995, pp. 3-6. AT&T also showed that the Commission had misconstrued one of the three cited commenters, GTE, as having support in-bound

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Sprint,[36] and numerous other parties in the reconsideration phase confirmed AT&T's showing that the record was devoid of any evidence that in-bound telemarketing calls present any actual risk of slamming.[37] Significantly, not a single party filed any pleading opposing these showings that in-bound verification is unnecessary --

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erification, as GTE itself confirmed. See Response of GTE to Petitions for Reconsideration, filed September 8, 1995, p. 1.

35 See MCI Petition for Limited Reconsideration, filed August 11, 1995, pp. 2-4 (concluding that "the verification requirement is not supported in fact").

36 See Sprint Petition for Reconsideration, filed August 9, 1995, pp. 6-8 ("there is no evidence of a significant problem of unauthorized PIC changes resulting from customer-initiated calls"); Sprint Reply, filed September 21, 1995, pp. 1-2 ("overwhelming and incontrovertible evidence" shows that in-bound calls "are not a significant cause of the 'slamming' problem and are unlikely to create such a problem in the future").

37 See Comments of AirTouch Communications, Inc. Regarding Petitions for Reconsideration, filed September 8, 1995, p. 4 ("In its capacity as a carrier that processes PIC changes submitted by other IXCs, AirTouch has not experienced any 'slamming' problem from customer-initiated PIC change calls"); Comments of General Communication, Inc. on Petitions for Reconsideration, filed September 8, 1995, p. 5 (stating it "has received very few consumer complaints regarding in-bound calls"); Comments of the Competitive Telecommunications Association on Petitions for Reconsideration, filed September 8, 1995, pp. 3-4 ("in-bound calls are an insignificant source of unauthorized switches and generate very few consumer complaints to the Commission"); Reply of Southwestern Bell Telephone Company, filed September 21, 1995, p. 1 ("customer initiated

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much less provided any data to remedy the deficiencies in the record by demonstrating even a single actual instance of slamming resulting from a customer-initiated call.

The Reconsideration Order in this proceeding did not dispute the uncontested showings of AT&T and other petitioners that the Commission in the 1995 Report and Order has seriously misconstrued the record concerning the need for verification of in-bound calls. Instead, it found (¶ 48) that the petitioners had not "provide[d] any specific evidence to support their claim" that slamming on in-bound calls is virtually non-existent, and claimed that the petitioners' evidence was merely "anecdotal." As noted above, this conclusion seriously miscasts the burden of proof in a Commission rulemaking. Equally important, it seriously mischaracterized evidence from the Commission's own records that AT&T had entered in the record.

Specifically, in response to a Freedom of Information Act request from AT&T seeking summary data on the sources of slamming complaints, the Commission had produced a representative sample of 430 informal complaints and had "identif[ied], by category and

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changes do not constitute a significant source of slamming").

frequency," the causes of those complaints.[38] Of those complaints, only four -- or less than one percent -- involved alleged slamming through "[c]hanges resulting from 800 [calls]," i.e., in-bound calling. The Reconsideration Order failed to provide any explanation for disregarding this compelling evidence, derived from the Commission's own files, that in-bound calling is not a significant source of slamming.

Although there is thus no record evidence to support applying additional verification measures on in-bound calls, the Further Notice attempts to remedy that fatal deficiency by surmising that unscrupulous carriers might "induce" consumers to place in-bound calls through contests or sweepstakes, capture those subscribers' automatic number identification ("ANI"), and then using other databases "map the ANI with other information such as social security numbers, allowing them to gain access to the data necessary to make unauthorized changes."[39]

The Further Notice makes no attempt to show that this hypothetical scenario is likely to occur. More important, however, this scenario reflects a fundamental misunderstanding of the current industry-standard carrier

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[38] See Letter dated December 30, 1994 from Gregory A. Weiss, Acting Chief, Enforcement Division, to Peter H. Jacoby, AT&T, re: FOIA Control No. 94-400 (attached as Exhibit 6 to AT&T's June 8, 1995 ex parte letter filed in CC Docket No. 94-129).

[39] See Further Notice, ¶¶ 4 (footnote omitted), 20.

change process. Under industry standard procedures, an inter- or intraLATA carrier submits to LECs the billed telephone numbers ("BTNs") and/or working telephone numbers ("WTNs") for customers who are the subject of a change order. The LECs then implement carrier changes for the BTNs and/or WTNs submitted by the carrier. The "other information" described in the Further Notice, such as subscribers' social security numbers, plays no part whatever in the carrier change process.

Thus, complex machinations to misuse inbound calling, such as the Further Notice describes, are regrettably unnecessary for carriers bent on unlawful slamming.[40] Such speculative -- and, as shown, completely implausible -- actions cannot supply a basis for reasoned Commission decisionmaking to support extension of the verification requirements to in-bound calls.[41] The Further Notice's insistence (¶ 20) that

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[40] Except for its esoteric references to ANI capture and "mapping" to other databases, the hypothetical scenario described in the Further Notice is identical to the speculative slamming method described by Consumer Action in its comments (p. 4) in the initial phase of this proceeding. AT&T showed that there is no proof that any carrier had used, or was likely to use, Consumer Action's theoretical mechanism to make unauthorized carrier changes. See AT&T Petition for Limited Reconsideration, pp. 5-6.

[41] The Further Notice (¶ 19) also predicts that, with the advent of local exchange competition and "the potential for a single carrier to offer local exchange and interexchange service, it is likely that problems with in-bound calling will be of even

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commenters supply "specific information to justify exemption of in-bound calling from the PIC-change verification requirements" is thus entirely unwarranted.

In all events, however, such information is available and lays bare the lack of any factual basis for extending verification to in-bound calls. Specifically, since July, 1996 AT&T on a monthly basis has performed statistical random sampling of its residential carrier change orders obtained through inbound telemarketing during the preceding month. Several million inbound orders have been sampled in this manner through June, 1997. The statistical methodology used in this process assures that the random sample of billed telephone numbers ("BTNs") replicates the universe of sampled carrier change orders to a 95 percent confidence level. The change orders in the monthly random samples are then compared, after a 45 to 60 day interval, with reports of PIC change disputes and complaints received by AT&T from

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greater significance." However, the Further Notice fails to provide any basis for concluding that local competition will provoke measurable "in-bound slamming" when there is no record evidence of such a problem in a competitive interexchange marketplace in which PIC changes are now occurring at a rate of 50 million annually.

LECs and customers, to determine if the validity of any of those orders has been challenged.[42]

Six of these monthly samples -- representing a total of several million PIC change orders -- have reflected not a single instance of a PIC change dispute. The remaining samples reflected a total of just 15 PIC change disputes or complaints among several million additional carrier change orders. Even these minimal occurrences cannot be equated with any actual slamming; AT&T's review of the fifteen cases shows that virtually all of those orders were retracted by customers within a few days after their initial in-bound calls, suggesting strongly that these were cases of "buyer's remorse" rather than an unauthorized carrier change.[43]

These data resoundingly confirm what has long been evident in this proceeding: namely, that in-bound calling presents, at most, only a bare theoretical

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[42] This interval for the comparison was selected because PIC disputes usually are raised within 45 to 60 days after a subscriber's carrier change occurs.

[43] Under separate cover AT&T is submitting to the Commission, with a request for confidential treatment, a description of its statistical sampling methodology; data showing the numbers of orders from in-bound telemarketing included in each of its monthly samples, and the number of disputed carrier change orders (if any) in each sample. That confidential submission also shows the BTNs for all sampled orders that resulted in a PIC dispute and provides AT&T's analysis of the disputed orders.

possibility of slamming that has not occurred in fact (nor is there any evidence that it is likely to do so).

B. Verification Would Impose Excessive Costs on Carriers and Consumers Alike

The Further Notice (¶ 1) also invites commenters to quantify the costs of compliance with an in-bound verification requirement. What that invitation ignores is that such data have already been submitted to the Commission in this proceeding, and that this information demonstrates compellingly that the costs of such a procedure for carriers, and the losses to consumers in foregone savings, are wholly disproportionate to the virtually non-existent risk of slamming on in-bound calls.

Specifically, in connection with its petition for reconsideration of the 1995 Report and Order AT&T submitted a declaration from Georgeanna Neff, its Director-Prospect Markets, showing that implementing in-bound verification would cost AT&T tens of millions of dollars annually in compliance expenses; would result in substantial lost revenues (due to additional delays in processing PIC changes); and would deprive AT&T customers of significant annual savings due to those same delays.[44] Other parties echoed that showing.[45]

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[44] See Neff Declaration, supra n. 28.

[45] For example, MCI estimated that, as a result of the in-bound verification requirement, it would incur as

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The Reconsideration Order (¶ 46) nevertheless concluded that the cost estimates provided by AT&T and other petitioners were not probative because they "appear to include cost estimates of instituting and maintaining a full (in-bound and out-bound) PIC change verification program" (emphasis supplied). This conclusion clearly misread the record. Specifically, the Neff Declaration expressly stated (¶ 7) that AT&T was "considering various alternatives for implementation of PIC confirmation procedures in its in-bound centers" (emphasis supplied), and went on to analyze in detail the costs of those

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much as $10 million in additional costs in the first year alone. See MCI Petition for Limited Reconsideration, pp. 8-10 and attached Declaration of Wayne E. Huyard, MCI's President-Mass Market Sales and Service ("Huyard Declaration"). For its part, Sprint estimated that it would incur first year costs of $10.1 million for implementation, and annual revenue losses of $8.9 million, as the result of the Commission's ruling. See Sprint Petition for Reconsideration, pp. 10-13.

Every other party that addressed this issue on reconsideration likewise showed that compliance with the in-bound verification requirement would impose substantial costs both on carriers and the public. See AirTouch, p. 4 ("the imposition of such rules will create substantial and unwarranted costs for carriers"); CompTel, p. 4 ("application of these verification requirements to in-bound calls will impose substantial costs on IXCs"); GCI, p. 6 ("Mandating verification on these calls will increase the costs of doing business with little benefit. This costs [sic] will be especially difficult for smaller carriers").

alternatives for in-bound calls.[46] Moreover, the Commission's reading of the record ignored its own prior acknowledgment that AT&T had already implemented verification for out-bound telemarketing calls.[47] The Commission's conclusion that AT&T's cost estimates related in part to out-bound verification activities was thus plainly incorrect.[48]

In addition to misreading the record evidence, the Reconsideration Order (¶ 47) mistakenly concluded that such information would not be meaningful unless it is expressed as the cost per consumer transaction processed through in-bound calling.[49] Any such analysis

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[46] See, e.g., Neff Declaration ¶ 7(1)(describing costs for "development and production of new databases to store in-bound telemarketing sales"); ¶ 9(1) ("systems changes for all 21 [AT&T] in-bound centers"); id. ("new in-bound telemarketing codes and reports")(emphasis supplied).

[47] See 1995 Report and Order, 10 FCC Rcd at 9562-63 (¶ 5 and n. 13).

[48] The cost information submitted by other petitioners was likewise apparently focused solely on the additional costs of verifying in-bound telemarketing calls. See Huyard Declaration, ¶ 4 (stating MCI "would have to adopt new PIC verification procedures" that "would result in significant additional costs" to that carrier)(emphasis in original); see also Sprint Petition for Reconsideration, p. 10 (estimating "the costs of complying with the verification requirement for customer-initiated calls")(emphasis supplied).

[49] The Reconsideration Order (¶ 47) also attached significance to the fact that the Commission "received three widely varying cost estimates from three different companies concerning compliance with in-bound verification. The mere fact that the

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is plainly inappropriate, because it ignores the fact that, as shown above, in virtually all instances the verification process for these calls is unnecessary and can only contribute to delaying or entirely impeding the implementation of the customers' authorized carrier change orders. The only relevant comparison is between the indisputably large cost of performing in-bound verification and any instances of actual slamming attributable to in-bound telemarketing calls. And the record fails to disclose any significant slamming from such calls that would allow the Commission to make a reasoned cost-benefit determination that in-bound verification is warranted by the actual or potential harm to consumers.

AT&T is nonetheless submitting as Appendix A to these Comments a Supplemental Neff Declaration providing current estimates of the compliance costs, revenue losses and lost consumer savings that would result from implementation of an in-bound verification requirement.

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> estimates provided by AT&T, MCI and Sprint varied somewhat in their magnitude is hardly remarkable, given the obvious differences in these carriers' relative market shares, marketing strategies and methods, and cost structures. The differences are thus no basis to reject these estimates. What is of importance is that the Reconsideration Order did not refute that all of these documented cost estimates were substantial by any measure (and especially in light of the insubstantial record evidence of in-bound slamming).

Like AT&T's prior submission in this docket, these estimates are confined solely to the impacts of in-bound verification, and do not include any verification costs for out-bound calling. However, the in-bound calling volumes underlying the Supplemental Neff Declaration are substantially larger than those on which AT&T's prior submission was based, because since the date of that submission intraLATA competition has become more prevalent and local competition has become possible as a result of the Telecommunications Act of 1996.

Based on these new projections, AT&T estimates that implementing verification in its in-bound calling centers for residential customers' interLATA, intraLATA and local carrier selections would entail start-up costs of approximately $5.5 million, with annual recurring costs of approximately $58.6 million. Supplemental Neff Declaration, ¶¶ 6A-6B. AT&T further estimates that its loss of revenues, due to inevitable delays in implementing customers' carrier change orders, would amount to at least $ 6.6 million annually. Id., ¶ 5.[50]

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[50] Additionally, from the standpoint of consumer protection, these processing delays would impair AT&T residential customers ability to obtain price discounts and related offerings that are dependent on their carrier selection status. For example, the AT&T One Rate[sm] and One Rate Plus[sm] Plans, which offer interstate direct dialed rates as low as 10 cents per minute, are available only to customers who are presubscribed to AT&T. Thus, delay in implementing carrier changes to comply with unneeded

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These substantial costs to AT&T and its customers would be difficult to justify even if there was any tangible evidence that slamming from in-bound calling is a demonstrable threat. Especially in light of the complete absence of such record evidence, however, there can be no basis for the Commission to require carriers and customers to incur these economic impacts simply to address an illusory threat of unauthorized changes from in-bound calls.

VII. THE COMMISSION SHOULD PREEMPT CONFLICTING STATE REGULATION OF THE CARRIER SELECTION VERIFICATION.

The Commission's exercise of its new authority under Section 258 of the Communications Act to promulgate verification rules for intraLATA and local carrier selection, and its existing authority with respect to interLATA carrier selection, will have little practical meaning if state legislatures and regulatory agencies remain free to adopt verification rules that are inconsistent with the Commission's prescriptions. Many states have already purported to adopt verification rules governing interLATA carrier selection that differ markedly from the Commission's requirements.[51] Carriers

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verification procedures affirmatively harms those subscribers.

[51] An especially egregious example is California, which has adopted requirements forbidding interexchange carriers from submitting change orders to LECs based

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cannot simultaneously comply with both these rules and the Commission's existing procedures, because under virtually all present network arrangements the carrier selected by customers for interstate service also necessarily serves their intrastate, interLATA calling.[52] Additionally, many states have adopted a variety of regulatory schemes for verification of intraLATA and local carrier selections that differ substantially from the Commission's established procedures that the Further Notice correctly proposes to extend to intraLATA and local services.

In these circumstances, it is settled law that conflicting state regulation of carrier selection

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on written authorizations from customers, as expressly permitted under the Commission's rules, unless the submitting carrier has also obtained confirmation of that order through means such as third party verification. In the considerable number of cases where carriers are unable to contact customers to obtain such verification, the implementation of those orders is frustrated, both for interstate and intrastate interexchange carrier choices.

[52] These rules are often in excess of the states' lawful authority. In the case of single LATA states, interLATA calls originated from those states are solely interstate, and are thus within the Commission's plenary and exclusive jurisdiction. Nevertheless, some of these states have adopted restrictions on verification that fly in the face of the Commission's rules. For example, South Dakota has prohibited carrier change orders unless based on written authorizations, despite the Commission's rule expressly allowing other verification methods.

requirements must give way to prevent those rules from impeding the procedures promulgated by the Commission, or from otherwise thwarting the important federal interest in preserving and promoting robust competition in inter- and intrastate telecommunications markets.[53] The Commission has long applied these principles to displace state regulation that subjects carriers to mutually inconsistent sets of requirements.[54] It should also do so here to assure that the Commission's verification rules will not be frustrated by conflicting state rules.

Exercising the Commission's authority to preempt inconsistent state verification regulations will not deny state bodies an important role in preventing slamming. Just to the contrary, Section 258(a) of the Communications Act expressly recognizes the authority of those agencies to enforce with respect to intrastate services the verification procedures adopted by the

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53 See Louisiana Pub. Serv. Comm'n v. FCC, 476 U.S. 355 (1986); North Carolina Util. Comm'n v. FCC, 537 F.2d 787 (4th Cir.), cert denied, 429 U.S. 1027 (1976); North Carolina Util. Comm'n v. FCC, 552 F.2d 1036, 1044-50 (4th Cir.), cert. denied, 434 U.S. 874 (1977); Maryland Pub. Serv. Comm'n v. FCC, 909 F.2d 1510, 1514-15 (D. C. Cir. 1990).

54 See, e.g., National Association of Information Services (Petition for Expedited Declaratory Ruling), Memorandum Opinion and Order on Reconsideration, FCC 94-358, released January 24, 1995 (finding state rules requiring default blocking of intrastate 900 calls were inconsistent with, and thus preempted by, Commission rules prohibiting such blocking of inseverable interstate pay-per-call numbers).

Commission in this rulemaking. As AT&T has already shown in the earlier phase of this proceeding,[55] state utility commissions and other public authorities can play a critical role in controlling slamming. Requiring those agencies to enforce a uniform set of verification procedures prescribed by the Commission will only enhance, rather than detract from, the effectiveness of those enforcement activities.[56]

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55 See AT&T Comments, p. 6 n.10 (describing several states' effective enforcement efforts against Cherry Communications, a notorious slammer).

56 See, e.g., Vermont v. Oncor Communications, Inc., 11 FCC Rcd 1899 (1995)(finding that Vermont was not preempted from enforcing state law against unfair and deceptive practices for carrier's violation of carrier selection and verification rules prescribed by the Commission).

CONCLUSION

For the reasons stated above, the Commission should adopt the proposals in the Further Notice with the modifications described in AT&T's Comments.

Respectfully submitted,

AT&T CORP.

By _____

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September 15, 1997

APPENDIX A

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of the Subscriber Carrier	)	
Selection Changes Provisions of the	)	
Telecommunications Act of 1996	)	CC Docket No 94-129
	)	
Policies and Rules Concerning	)	
Unauthorized Changes of Consumers'	)	
Long Distance Carriers	)	

SUPPLEMENTAL DECLARATION OF GEORGEANA NEFF

I, Georgeana Neff, declare as follows:

1. I am Director--Prospects Markets for AT&T's Consumer Markets Division business unit. I am responsible for marketing to residential consumers who are presubscribed to an interexchange carrier (IXC) other than AT&T in an effort to convince the customer to switch his or her service to AT&T (otherwise known as customer acquisition activities). In that capacity, I am familiar with the procedures AT&T currently uses to verify a customer's order to switch carriers, as well as the costs associated with those procedures. Information provided herein with respect to costs related to switching intralata and/or local service was provided to me in the ordinary course of business by AT&T personnel responsible for those business segments.
2. In my capacity with AT&T, I am familiar with the Commission's current regulation of the interexchange carrier selection process. I also am familiar with the effect on

AT&T's expenses and revenues associated with customer acquisition activities of the proposal in the Further Notice of Proposed Rulemaking in Docket 94-129 released by the Commission on July 15, 1997 (the Further Notice), insofar as it expands the verification requirement to in-bound calls.[1] I make this Declaration in support of AT&T's accompanying comments on the Further Notice's proposal.

3. The Further Notice proposes to extend the primary interexchange carrier (PIC) verification procedures contained in Section 64.1100 to consumer-initiated calls to IXCs or LECs ("in-bound calls"). Previously, the PIC verification procedures applied only to calls initiated by the IXC.[2] In addition, the verification procedures now proposed would extend to intralata and local carrier changes as well.

4. AT&T receives a wide variety of in-bound calls, including calls made in response to direct mail, mass media advertising or bill messages, and calls made by a consumer for purposes of making an inquiry about a bill or simply to seek information about AT&T. All of these call types result in requests by consumers for PC changes to AT&T. Depending on the reason for the customer's call to AT&T and where he or she obtained the 800 number being called, the in-bound call could be directed to any of 21 AT&T customer sales and service centers located around the country. To comply

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[1] While my Supplemental Declaration specifically addresses the impact of the Further Notice on the residential segment of AT&T's operations (as well as on residential customers), based on my overall familiarity with AT&T's operations, it is apparent that the in-bound verification requirement would also impose additional costs on AT&T for compliance with respect to business subscribers seeking to implement PC changes for their lines, and would in many cases inconvenience those customers and subject them to delays in arranging their PC changes.

[2] For purposes of this Supplemental Declaration telephone carrier changes, whether interstate, intralata or local will be collectively referred to as preferred carrier or ("PC") changes.

with the proposal in the Further Notice, AT&T would have to implement PC verification procedures in each of these centers.

5. Implementation of PC verification on inbound calls using the most effective scenario (i.e., third party verification, or "TPV") would result in significantly increased costs for AT&T for initial implementation and on-going maintenance of the process, as more fully explained below. In addition, use of this method would result in some amount of "fallout" where verification could not be performed on line at the time of the call (due to either unavailability of the TPV vendor or time constraints on the customer), necessitating additional contacts with the customer via outbound calling and/or direct mail. This would result in delays before the customer could be switched to AT&T, with an accompanying annual loss of revenue to AT&T of approximately $6.6 million[3] Moreover, customers would lose discounts in the range of $1.3 million annually. Such customer losses would occur because AT&T's most popular discount options, plans such as the AT&T One Rate(sm) and One Rate Plus (sm) plans which offer interstate direct dialed rates as low as 10 cents per minute, are available only to customers who are presubscribed to AT&T.

6. The total start-up costs associated with Inbound TPV are estimated to be $5.5 million, with annual additional expenses of approximately $58.7 million; these costs are broken

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[3] Revenue loss to AT&T and loss of discounts to consumers is estimated by taking into account the volume of sales that experience "fallout" during the inbound process. The calculation includes both delayed PC sales as well as PC sales which are not processed because AT&T is unable to contact the customer. For delayed sales, the loss of revenue and discounts is estimated by multiplying the number of delayed sales by the average per-customer revenue or discounts which would have been realized over the specified period of delay. For sales not processed, the loss of revenue and discounts is estimated by

down as follows:

A. Systems Expenses: AT&T would incur costs for development and implementation of systems changes at all 21 in-bound centers to provide third party verification functionality, including purchasing new equipment and data lines to handle new agencies and increased verification volumes. In addition, this method would require development and expansion of in-bound telemarketing codes and reports. Finally, there would be costs associated with the maintenance, daily production, order status and reporting capability, and updating and maintaining scripts for use by AT&T's customer service representatives. Start-up costs are estimated to be $3.2 million, with annual costs of $1 million.

B. Vendor Expenses: AT&T would need to obtain new third party verification agencies, or expand its relationship with existing third party verification agencies to include national inbound PC verification. Start-up costs are estimated to be $533,000, with annual production costs of $27.8 million.

C. Center Expenses: Implementation of this rule will result in expenses for development and delivery of training to AT&T's customer service representatives, as well as increased expenses because of incremental call volume (customer call backs if the verification process cannot be completed on the initial call) and incremental talk time to explain the order and verification process. Start-up costs are estimated to be $1.8 million, with annual costs of $29.8 million.

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multiplying the number of sales not processed by the average monthly per-customer revenue or discounts.